

HECM Training



WELCOME

Disclaimer



- **The purpose of this presentation is an overview of the subject matter with summation and explanation of recent changes in FHA policy. It introduces and explains, rather than supplants, official policy issued in Handbooks and Mortgagee Letters. If you find a discrepancy between the presentation and Handbooks, Mortgagee Letters, etc., the official policies prevail. Please note the information provided in this training is subject to change.**
- **Please consult HUD online Handbooks at <http://www.fhaoutreach.gov/FHAHandbook/prod/contents.asp?address=4155-1> and Mortgagee Letters through <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm> for the most recent updates and current policy.**

HECM Training



Presenters

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Training Schedule



- HECM Basic Information
- Senior Statistics
- Resource Material
- Lender Approval
- HECM Features
- HECM Counseling
- Mortgage Credit
- Payment Plan Options
- Servicing
- Rates
- Trust/POA
- Eligible Properties
- Appraisal/Property Repairs
- HECM Refinancing
- Closing Documents
- HECM Calculation
- Mortgagee Letters
- Endorsements
- Assignments
- HECM Review



HECM BASICS

1-800-Call FHA

*FHA - Serving Homebuyers Since
1934*

www.FHA.gov

HECM Basic Information



- Purpose of a HECM
- Definition
 - A loan against home equity providing cash advances to the borrower
 - No repayment until a future time

HECM Basic Information



- Borrower retains home
- Cash advances available
- All allowable loan fees can be included
- Loan balance rises
- No repayment is required until future time
- Non-recourse loan

Eligible Homeowners



- Age 62 and over (all owners)
- Occupy home as principal residence
- Own home

HECM Categories



- HECM Traditional (first time program participant)
- HECM Refinance (refinance existing HECM)
- HECM Purchase (use proceeds to purchase house)
- HECM Saver (lower principal limit option)

Forward Mortgage Versus Reverse Mortgage

Forward Mortgage



Purpose:

- To purchase a home

Start of loan:

- No equity

During the loan:

- Monthly payments made
- Loan balance goes down
- Equity grows

End of loan:

- Owes nothing
- Has substantial equity

Reverse Mortgage



Purpose:

- To generate income

Start of loan:

- Substantial equity

During the loan:

- Monthly payments rec'd
- Loan balance goes up
- Equity declines

End of loan:

- Owes substantial amount
- Has much less, little or no equity



FORWARD vs. REVERSE



Forward

Purpose:

- To purchase a home

Start of loan:

- No equity

During the loan:

- Monthly payments made
- Loan balance goes down
- Equity grows

End of loan:

- Owes nothing
- Has substantial equity

Reverse

Purpose:

- To generate income

Start of loan:

- Substantial equity

During the loan:

- Monthly payments rec'd
- Loan balance goes up
- Equity declines

End of loan:

- Owes substantial amount
- Has much less, little or no equity

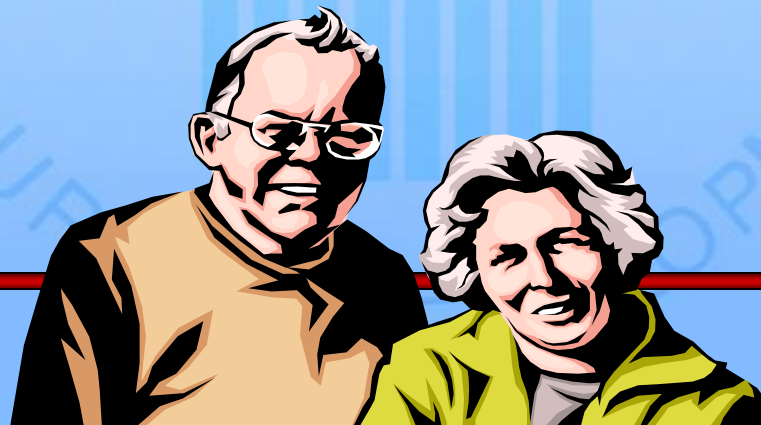
SENIOR'S STATISTICS



Senior Statistics



- ★ Studies on poverty among seniors have indicated
- ★ Rise in number of seniors living in poverty
- ★ Typical seniors equity rich, but cash poor



Senior Statistics



Seniors between ages 65 and 69

✧ 1 out of 10 live below poverty level

✧ 80% own homes

✧ Net worth with equity \$114,000

✧ Net worth without equity \$27,588

✧ Majority of income goes
to housing, food and health care



RESOURCE MATERIAL

FHA Resource Center



Search

- fhaoutreach.gov/FHAFAQ

Email

- info@fhaoutreach.com
- HECMhelp@hud.gov




Phone

- Toll free: 800-CALLFHA or 800-225-5342
- TDD: 877-2HUD or 877-833-2483

Resource Material



Websites

-  **www.hudclips.org** to pull up the HECM handbook
-  **http://www.hudclips.org/sub_nonhud/cgi/hudclips_run.cgi?hudclips_run**
-  **Reverse Mortgage Information for Seniors: www.hud.gov**
Click on Seniors, then click reverse mortgage information for seniors

Home Equity Conversion Mortgages for Lenders (HECMs)

This web page is intended to assist FHA approved lenders by providing links to policy, guidance and tools that help in the origination and servicing of HECM loans.

Origination

- ▶ [Endorsing a HECM case](#)
- ▶ [2010 Principal Limit Factors](#) for case numbers assigned between 10/1/2009 and 10/3/2010
- ▶ [Endorsement Summary Reports](#)
- ▶ [HECM Portfolio Snapshot Report](#)
- ▶ [HECM for Purchase Program FAQs](#)
- ▶ [Subordinate Liens and ML 09-49 FAQs](#)
- ▶ [Program Description](#)
- ▶ [RESPA Home Page](#)
- ▶ [2010 Settlement Costs Booklet](#)

Software

- ▶ See note in "What's New."

Servicing

- ▶ [HECM servicers](#)
- ▶ [HECM Temporary Foreclosure Sales Program](#)
- ▶ [Mortgage servicing FAQs](#)
- ▶ Assignments: [Checklist](#)

Web page for Seniors

What's New

- Three new items as of 9/22/10:
- ▶ [Principal Limit Factors](#) for all case numbers assigned on and after 10/4/2010
 - ▶ New PLF software is being modified with additional changes. Please subscribe to receive an email notice when the software is made available.
 - ▶ **Email Notifications:**
Housing industry professionals can [subscribe](#) to get notifications of updates to the HOC Reference Guide, training & event announcements, Mortgagee Letters & notices about your Single Family business.

HUD Resources

- Reference Materials
HECM Handbook [4235.1](#)
Mortgagee Approval [4060.1](#)
Administration of Mtges [4330.1](#)
- Newest Mortgagee Letters:
[10-34](#) HECM Saver, MIP, and PLFs
[10-00](#) Loan Forms & Guidance

Homes & Communities

U.S. Department of Housing
and Urban Development

HUD News

Newsroom
Priorities
About HUD

Homes

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Home improvements
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About communities
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Economic development

Working with HUD

Grants
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Contracts
Work online
HUD jobs
Complaints

Information for...

[En español](#) | [Text only](#) | [Search/index](#)

Senior Citizens

Looking for housing options for yourself, an aging parent, relative, or friend? Do some research first to determine what kind of assistance or living arrangement you need; what your health insurance might cover; and what you can afford. Then check here for financial assistance resources and guides for making the right choice. Talk to a [HUD-approved housing counselor](#) if you have questions about your situation.

Stay in Your Home

- ▶ [Home modification and repair](#)
- ▶ [Reverse mortgages for seniors](#)
- ▶ [Rural housing loans](#)
- ▶ [Find in-home help](#)
- ▶ [Meals on wheels](#)

Find an Apartment

- ▶ [Units for the Elderly and Persons with Disabilities](#)
- ▶ [Find affordable rents](#)
- ▶ [Public housing](#)
- ▶ [Section 8 vouchers](#)
- ▶ [Rural rental help](#)

 [Information by State](#)

 [Esta página en español](#)

 [Print version](#)

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Related Information

- ▶ [Senior housing net](#)
- ▶ [Senior sites](#)
- ▶ [AgeNet](#)
- ▶ [American Association of Homes and Services for the Aging](#)
- ▶ [State and local governments](#)
- ▶ [Go60.com](#)
- ▶ [Senior Job Bank](#)
- ▶ [Assisted Living Federation of America](#)
- ▶ [Christmas in April](#)
- ▶ [Home Modifications](#)

Federal Resources

- ▶ [Seniors.gov](#)
- ▶ [Seniors Commission](#)
- ▶ [Social Security Administration](#)
- ▶ [National Council on Aging](#)

1-800-Call FHA

Local intranet

HECM References



- 4235.1 – HECM Handbook
- 4330.1 (Section 13) HECM Servicing Handbook
- 4905.1 – Minimum Property Requirements Handbook
- 24CFR 206
 - 2010-34
 - 2010-09
 - 2009-49
 - 2009-47
 - 2009-44
 - 2009-34
 - 2009-21
 - 2009-11
 - 2009-11
 - 2009-10
 - 2009-07
 - 2008-38
 - 2008-35
 - 2008-34

Case Number Assignment



- Ordered thru FHA Connection
- HECM Standard (traditional)
- HECM Saver
- HECM Refinance (HECM to HECM)
- HECM Purchase
 - Ensure Property Address is correct
 - Assign an FHA approved Appraiser
 - Use Proper ADP

ADP Code Table



	<i>Saver</i>	<i>Standard</i>
• HECM Assignment/Fixed	971	951
• HECM Assignment/ARM	972	952
• HECM Condominium/Fixed	977	957
• HECM Condominium/ARM	978	958

POLL QUESTIONS





LENDER APPROVAL

1-800-Call FHA

*FHA - Serving Homebuyers Since
1934*

www.FHA.gov

Lender Approval



Lender Approval

- Lender Approval (202) 708-3976
 - Website address
<http://www.hud.gov/offices/hsg/sfh/lender/lendappr.cfm>
- Sponsored Originators may originate & process HECM's
Submit loans to a DE approved HECM Sponsor
- Lenders seeking HECM DE authority must
 - Enter pre-closing and
 - Submit five (5) acceptable HECM cases

Lender Participation



- Any Sponsored Originator may originate HECM Loans
- Lenders earn an origination fee and a monthly servicing fee
- Lenders are protected against loan losses



HECM FEATURES

HECM Features



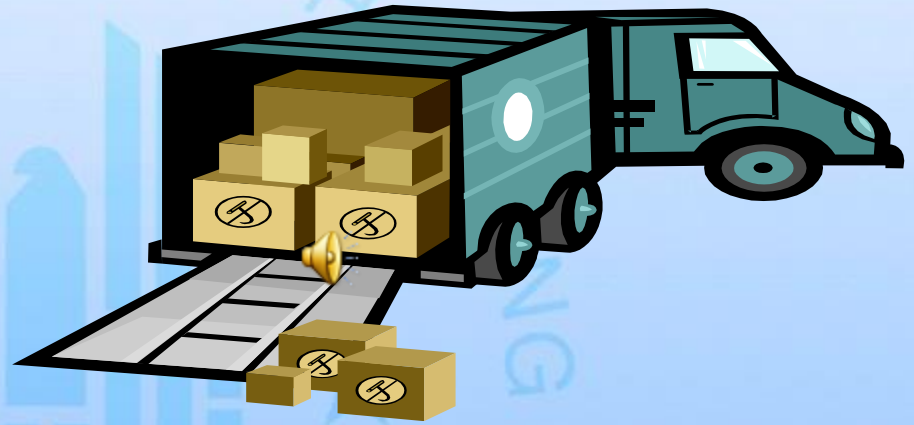
- Funds can be used for any purpose
- No income verification
- No credit score requirement
- Asset verification required only if borrower funds required to close



HECM Features



- ◉ Loan Due and Payable, when last surviving borrower
 - * Passes away
 - * Sells home
 - * No longer occupies property as primary residence



HECM Features



⚙ Non-recourse loan-Mortgagee Letter 2008-38

- ☐ Loan is due and payable – the estate can sell the house for the lesser of:
 - (a) Loan balance
 - (b) 95% of Value of property
- ☐ Lender insured against loss
- ☐ Borrower insured against lender default



MAXIMUM CLAIM AMOUNT (MCA)

Maximum Claim Amount



The Maximum Claim Amount is:

- The maximum dollar amount that HUD will pay on a claim
- The lesser of:
 - The appraised value or
 - The maximum FHA county limit for one-family residence or
 - Purchase Price (if a purchase transaction)

Maximum Claim Amount Example



- ❖ Appraised Value - \$200,000
- ❖ FHA HECM County Loan Limit - \$625,500

Maximum claim amount = **\$200,000**

(***Lesser*** of the appraised value or FHA county loan limit)

Purchase Transactions (use purchase price if lower)



PRINCIPAL LIMIT

Principal Limit Table



<http://www.hud.gov/offices/hsg/sfh/hecm/hecmhomelenders.cfm>

Principal Limit



Loan amount advance(s) depend on factors

- Age of youngest borrower
- Value of home or FHA mortgage limits (MCA)
- Expected interest rate
- Cost of the loan
- Payment plan selected by the borrower

Principal Limit Standard Table



hecmsaver_plf.xls [Read-Only] [Compatibility Mode] - Microsoft Excel

A1		Age													
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
79	99	4.00	0.776	4.13	0.776	4.25	0.776	4.38	0.776	4.50	0.776	4.63	0.776	4.75	0.776
80															
81	62	5.00	0.619	5.13	0.598	5.25	0.580	5.38	0.564	5.50	0.548	5.63	0.535	5.75	0.520
82	63	5.00	0.625	5.13	0.603	5.25	0.586	5.38	0.568	5.50	0.555	5.63	0.541	5.75	0.526
83	64	5.00	0.629	5.13	0.609	5.25	0.593	5.38	0.576	5.50	0.562	5.63	0.548	5.75	0.535
84	65	5.00	0.637	5.13	0.615	5.25	0.597	5.38	0.581	5.50	0.569	5.63	0.556	5.75	0.542
85	66	5.00	0.642	5.13	0.622	5.25	0.604	5.38	0.588	5.50	0.575	5.63	0.562	5.75	0.548
86	67	5.00	0.648	5.13	0.626	5.25	0.610	5.38	0.594	5.50	0.582	5.63	0.569	5.75	0.554
87	68	5.00	0.652	5.13	0.632	5.25	0.617	5.38	0.601	5.50	0.588	5.63	0.575	5.75	0.560
88	69	5.00	0.659	5.13	0.639	5.25	0.623	5.38	0.608	5.50	0.595	5.63	0.582	5.75	0.568
89	70	5.00	0.663	5.13	0.646	5.25	0.629	5.38	0.614	5.50	0.601	5.63	0.589	5.75	0.576
90	71	5.00	0.671	5.13	0.654	5.25	0.638	5.38	0.624	5.50	0.611	5.63	0.598	5.75	0.585
91	72	5.00	0.677	5.13	0.659	5.25	0.642	5.38	0.628	5.50	0.616	5.63	0.605	5.75	0.593
92	73	5.00	0.681	5.13	0.665	5.25	0.648	5.38	0.635	5.50	0.622	5.63	0.612	5.75	0.597
93	74	5.00	0.689	5.13	0.669	5.25	0.656	5.38	0.642	5.50	0.629	5.63	0.617	5.75	0.605
94	75	5.00	0.693	5.13	0.676	5.25	0.662	5.38	0.648	5.50	0.636	5.63	0.625	5.75	0.613
95	76	5.00	0.698	5.13	0.680	5.25	0.667	5.38	0.653	5.50	0.640	5.63	0.629	5.75	0.617
96	77	5.00	0.702	5.13	0.686	5.25	0.671	5.38	0.658	5.50	0.647	5.63	0.636	5.75	0.624
97	78	5.00	0.706	5.13	0.692	5.25	0.678	5.38	0.665	5.50	0.652	5.63	0.640	5.75	0.630
98	79	5.00	0.714	5.13	0.697	5.25	0.683	5.38	0.672	5.50	0.658	5.63	0.648	5.75	0.638
99	80	5.00	0.718	5.13	0.704	5.25	0.690	5.38	0.676	5.50	0.665	5.63	0.655	5.75	0.644
100	81	5.00	0.724	5.13	0.709	5.25	0.695	5.38	0.683	5.50	0.673	5.63	0.662	5.75	0.652
101	82	5.00	0.730	5.13	0.716	5.25	0.702	5.38	0.691	5.50	0.680	5.63	0.669	5.75	0.660
102	83	5.00	0.735	5.13	0.722	5.25	0.710	5.38	0.699	5.50	0.688	5.63	0.677	5.75	0.667
103	84	5.00	0.741	5.13	0.728	5.25	0.716	5.38	0.705	5.50	0.694	5.63	0.684	5.75	0.675
104	85	5.00	0.747	5.13	0.735	5.25	0.722	5.38	0.713	5.50	0.703	5.63	0.692	5.75	0.684
105	86	5.00	0.754	5.13	0.741	5.25	0.730	5.38	0.719	5.50	0.710	5.63	0.701	5.75	0.692
106	87	5.00	0.760	5.13	0.747	5.25	0.736	5.38	0.727	5.50	0.718	5.63	0.708	5.75	0.700
107	88	5.00	0.765	5.13	0.754	5.25	0.742	5.38	0.733	5.50	0.723	5.63	0.716	5.75	0.708
108	89	5.00	0.769	5.13	0.760	5.25	0.751	5.38	0.739	5.50	0.731	5.63	0.724	5.75	0.716
109	90	5.00	0.776	5.13	0.766	5.25	0.755	5.38	0.747	5.50	0.740	5.63	0.730	5.75	0.722
110	91	5.00	0.776	5.13	0.766	5.25	0.755	5.38	0.747	5.50	0.740	5.63	0.730	5.75	0.722
111	92	5.00	0.776	5.13	0.766	5.25	0.755	5.38	0.747	5.50	0.740	5.63	0.730	5.75	0.722
112	93	5.00	0.776	5.13	0.766	5.25	0.755	5.38	0.747	5.50	0.740	5.63	0.730	5.75	0.722
113	94	5.00	0.776	5.13	0.766	5.25	0.755	5.38	0.747	5.50	0.740	5.63	0.730	5.75	0.722

5% Interest Rates

Introduction Standard PLFs Saver PLFs

Ready

start Microsoft Office Com... Microsoft PowerPoint ... HUD FHA Reverse Mo... Microsoft Excel - hec...

100% 9:55 AM

Sample Calculation



- Maximum claim is lesser of:
Appraised Value - \$200,000 or
Mortgage Limit - \$625,500

- $\$200,000 \times .619 = \$123,800$
(principal limit)

Borrower's age: 62

Expected Interest Rate: 5%

Standard Factor: .619

Principal Limit Saver Table



hecmsaver_plf.xls [Read-Only] [Compatibility Mode] - Microsoft Excel

HomeInsertPage LayoutFormulasDataReviewView

A1Age

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
80																
81	62	5.00	0.523		5.13	0.503	5.25	0.486	5.38	0.469	5.50	0.456	5.63	0.441	5.75	0.425
82	63	5.00	0.526		5.13	0.505	5.25	0.488	5.38	0.474	5.50	0.458	5.63	0.446	5.75	0.431
83	64	5.00	0.529		5.13	0.511	5.25	0.494	5.38	0.477	5.50	0.462	5.63	0.450	5.75	0.435
84	65	5.00	0.532		5.13	0.514	5.25	0.497	5.38	0.483	5.50	0.468	5.63	0.455	5.75	0.441
85	66	5.00	0.536		5.13	0.518	5.25	0.501	5.38	0.486	5.50	0.472	5.63	0.458	5.75	0.444
86	67	5.00	0.538		5.13	0.521	5.25	0.505	5.38	0.491	5.50	0.476	5.63	0.463	5.75	0.449
87	68	5.00	0.543		5.13	0.524	5.25	0.509	5.38	0.494	5.50	0.480	5.63	0.466	5.75	0.453
88	69	5.00	0.544		5.13	0.527	5.25	0.512	5.38	0.497	5.50	0.484	5.63	0.472	5.75	0.456
89	70	5.00	0.548		5.13	0.531	5.25	0.517	5.38	0.502	5.50	0.488	5.63	0.475	5.75	0.462
90	71	5.00	0.552		5.13	0.535	5.25	0.519	5.38	0.508	5.50	0.493	5.63	0.482	5.75	0.468
91	72	5.00	0.554		5.13	0.537	5.25	0.522	5.38	0.510	5.50	0.498	5.63	0.484	5.75	0.472
92	73	5.00	0.557		5.13	0.540	5.25	0.527	5.38	0.514	5.50	0.501	5.63	0.490	5.75	0.477
93	74	5.00	0.558		5.13	0.544	5.25	0.529	5.38	0.517	5.50	0.506	5.63	0.492	5.75	0.480
94	75	5.00	0.562		5.13	0.546	5.25	0.534	5.38	0.520	5.50	0.508	5.63	0.496	5.75	0.484
95	76	5.00	0.566		5.13	0.548	5.25	0.536	5.38	0.524	5.50	0.510	5.63	0.500	5.75	0.488
96	77	5.00	0.569		5.13	0.553	5.25	0.539	5.38	0.526	5.50	0.516	5.63	0.505	5.75	0.496
97	78	5.00	0.572		5.13	0.557	5.25	0.543	5.38	0.532	5.50	0.518	5.63	0.507	5.75	0.498
98	79	5.00	0.576		5.13	0.561	5.25	0.549	5.38	0.538	5.50	0.526	5.63	0.515	5.75	0.503
99	80	5.00	0.578		5.13	0.562	5.25	0.550	5.38	0.540	5.50	0.529	5.63	0.518	5.75	0.507
100	81	5.00	0.580		5.13	0.570	5.25	0.555	5.38	0.544	5.50	0.534	5.63	0.525	5.75	0.515
101	82	5.00	0.583		5.13	0.572	5.25	0.559	5.38	0.547	5.50	0.538	5.63	0.527	5.75	0.519
102	83	5.00	0.585		5.13	0.574	5.25	0.564	5.38	0.553	5.50	0.542	5.63	0.535	5.75	0.523
103	84	5.00	0.590		5.13	0.575	5.25	0.568	5.38	0.557	5.50	0.548	5.63	0.537	5.75	0.527
104	85	5.00	0.594		5.13	0.581	5.25	0.572	5.38	0.561	5.50	0.554	5.63	0.542	5.75	0.535
105	86	5.00	0.598		5.13	0.587	5.25	0.578	5.38	0.569	5.50	0.558	5.63	0.548	5.75	0.539
106	87	5.00	0.599		5.13	0.592	5.25	0.580	5.38	0.571	5.50	0.562	5.63	0.554	5.75	0.546
107	88	5.00	0.603		5.13	0.596	5.25	0.585	5.38	0.577	5.50	0.566	5.63	0.558	5.75	0.548
108	89	5.00	0.608		5.13	0.598	5.25	0.589	5.38	0.581	5.50	0.574	5.63	0.564	5.75	0.554
109	90	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560
110	91	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560
111	92	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560
112	93	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560
113	94	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560
114	95	5.00	0.610		5.13	0.601	5.25	0.593	5.38	0.585	5.50	0.576	5.63	0.568	5.75	0.560

IntroductionStandard PLFsSaver PLFs

Ready

startMicrosoft Office Com...Microsoft PowerPoint ...HUD FHA Reverse Mo...Microsoft Excel - hec...

100%9:56 AM

Sample Calculation



- Maximum claim is lesser of:
Appraised Value - \$200,000 or
Mortgage Limit - \$625,500
- $\$200,000 \times .523 = \$104,600$
(principal limit)

Borrower's age: 62

Expected Interest Rate: 5%

Saver Factor: .523

Principal Limit Growth



- 24 CFR 206.3 provides for continual ongoing growth of the Principal Limit
- Increases monthly, throughout the life/term of the HECM.
- Assumes no other disbursements have been made.
- Rate of growth is: $(\text{Expected interest rate} + 1.25\%) / 12$.
- Applies to all payment plan options.
- Is an increase in “borrowable” funds.
- Is NOT a form of “interest income”.





HECM COUNSELING

1-800-Call FHA

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Counseling Requirements

MTG LTRS 04-25, 04-48 & 05-44



• HUD-approved Housing Counseling Agency

• Face-to-Face or telephone counseling

.

• All parties to be vested at HECM closing must receive counseling.

****It is recommended that Vested Spouses Receive Counseling Regardless of Borrowing Status****

HECM Counseling



Homeowner must receive counseling from a HUD-approved housing counseling agency

- Certificate issued to the homeowner
- Homeowner submits certificate to lender for processing of loan application

HECM Counseling



- Counseling Certificate (HUD 92902) is required and must contain:
 - Name of counseling agency and counselor
 - Employer identification number
 - Signed and dated by counselor/borrowers
 - Expiration date of 180 calendar days – Borrower has 180 days to initiate the HECM process with a lender.

HECM Counseling



- Financial implications of a HECM
- Alternatives and options regarding each payment plan
- Advantages and disadvantages of a HECM
- Calculate the maximum funds available
- Explain the typical costs required to obtain loan

Counseling



- ✓ Topics covered during counseling
- ✓ Options, other than a HECM
- ✓ Other home equity options
- ✓ Disclosure information

HECM Counseling



Face-to-face

- Approved housing counseling agency

Telephone counseling

- Seniors may prefer telephone counseling for a variety of reasons, including limited mobility and health conditions

HECM Counseling



- ✓ (MMI and NFCC)
 - ✓ No conditions or requirements
- ✓ HUD-Approved Housing Counseling Agencies
 - ✓ Under a limited set of circumstances
- ✓ Fannie Mae Telephone HECM Counseling
 - ✓ Under a limited set of circumstances
- ✓ Review Mortgagee Letter 2009-47

Prohibited Lender Activities



- ✓ Lenders may not charge the borrower for fees and services rendered prior to completion of counseling
- ✓ Other prohibited activities

Prohibited Lender Activities



- ☞ Lender activities **prohibited** prior to counseling:
- ☞ Any activity wherein the borrower(s) may incur an obligation to pay for a service.
- ☞ Counselor steering is **not** permitted

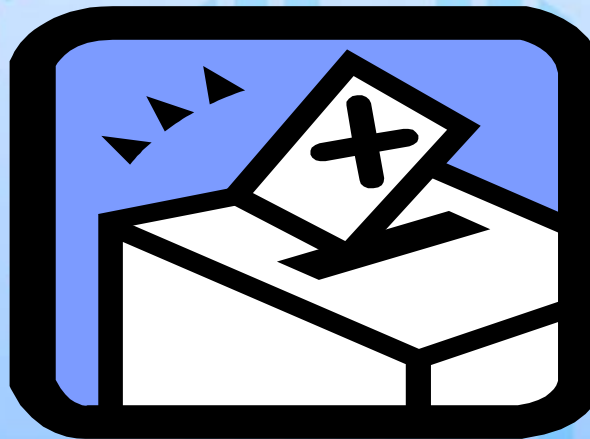
Permitted Lender activities

Mortgagee Letter 04-25



- ✓ Lender activities **permitted** prior to counseling:
 - ✓ Initial application
 - ✓ Explain program
 - ✓ Discuss eligibility
 - ✓ Provide information on fees and charges
 - ✓ Describe potential financial implications
 - ✓ Provide copies of mortgage Note and Loan agreement

POLL QUESTIONS





MORTGAGE CREDIT ELIGIBILITY

Mortgage Credit Eligibility Recap



- ❖ **All borrowers**
 - ❖ 62 years old at time of application
- ❖ Subject property must be principal residence for the majority of any calendar year.

Mortgage Credit Eligibility



- Delinquent debts owed to Federal Government must be
 - Brought current
 - Paid or otherwise satisfied
 - Satisfactory repayment plan (verified in writing)
 - May use HECM funds

Mortgage Credit Eligibility



➤ CAIVRS Claim

If presently delinquent or claim paid in the last 3 years, not eligible

- Exceptions
 - Assumption
 - Divorce
 - Bankruptcy

Mortgage Credit Eligibility



➤ **Suspension and Debarments**

Borrower(s) or Loan Officer appears on:

LDP (Limited Denial Of Participation) or

GSA (General Services Administration's)

Application not eligible for insurance

Mortgage Credit Documentation



- Documentation required on all borrowers
 - Tri-merge Credit Report
 - Public Record Information
 - Title report
 - Evidence of social security number
 - Evidence of age

Mortgage Credit Documentation



- Good Faith Estimate & Truth-in-lending
- Verification of deposit (as applicable)
- ARM disclosure
- Loan cost disclosure
- Final URLA (Fannie Mae 1009)
and HUD/VA Addendum to URLA
(Form 92900-A pages 1 thru 4)



CLOSING COST

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Allowable Closing Costs



- Origination Fee - max. 2% of MCA up to \$200,000 and 1% of the amount of over \$200,000 not to exceed \$6,000 (minimum is \$2500)
- Appraisal Inspection Fees
- Credit report
- Verification of Deposit - actual cost
- Document Preparation
- Property Survey
- Title Examinations/Title Insurance Policy

Allowable Closing Costs



- Settlement Agent Fee
- Recording Fees
- Pest tests and treatments
- Notary Fee
- Courier Fee
- Flood Certification Fee
- Attorney Fee



MORTGAGE INSURANCE PREMIUM

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Mortgage Insurance



*** Percentage of the Maximum Claim Amount (MCA)**



- * UFMIP = 2% of MCA on the HECM Standard**
- * UFMIP = .01% of MCA on the HECM Saver**
- * 1.25% annual mortgage insurance**
(Calculation based upon and added monthly to the current outstanding balance)



PAYMENT PLANS OPTIONS

Payment Plan Options



❖ Five different options

- ❖ Line of credit**
- ❖ Tenure**
- ❖ Term**
- ❖ Modified Term**
- ❖ Modified Tenure**

PAYMENT PLAN CHART



TENURE

TERM

LINE OF CREDIT

MODIFIED
TENURE OR
TERM

Payment Plan Options



• Line of Credit

- Borrower(s) may draw up to maximum amount until credit line is exhausted. May be paid down and redrawn by borrower(s)**

Payment Plan Options



❖ Tenure

- ❖ Borrower receives monthly payments from lender as long as borrower occupies the property as the primary residence

Payment Plan options



- **Term**

- ✓ Borrower receives monthly payment from lender for period of time selected by the borrower

Payment Plan Options



❖ Modified Term

- ❖ Combination of line of credit with monthly payments for a fixed number of months



Payment Plan Options



❖ Modified Tenure

- ❖ Combination of line of credit with monthly payments as long as one borrower remains in the home





SERVICING

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Servicing



- Paid monthly through the life of loan
 - Drawn from Servicing Set Aside Account and added monthly to outstanding balance
 - Maximum Monthly Charge(s)
 - \$35 – Monthly Adjustable Rate
 - \$30 – Annual Adjustable Rate
 - \$30 – Fixed Rate Loans

Payment Changes



- ❖ The borrower may
 - ❖ Change payment options during the term of the loan
 - ✓ Maximum allowable charge per change \$20.00



RATE INFORMATION

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Rate Information



% Federal Reserve

% <http://www.federalreserve.gov/releases/h15/>

% Changes every Tuesday

% Based on closing date (when note is executed)
or date of unexpired Principal Limit Lock

Wall Street Journal – The Libor
(changes on Monday or Tuesday)



Rate Information



% Interest Rate

% One Year US Constant Maturity

Treasury plus margin or One Year Libor plus margin

% Accrues daily and added monthly to outstanding balance



Rate Information



% Expected Rate

% Ten Year US Constant Maturity

Treasury plus margin or Ten Year Libor plus margin

% Used to determine Principal Limit

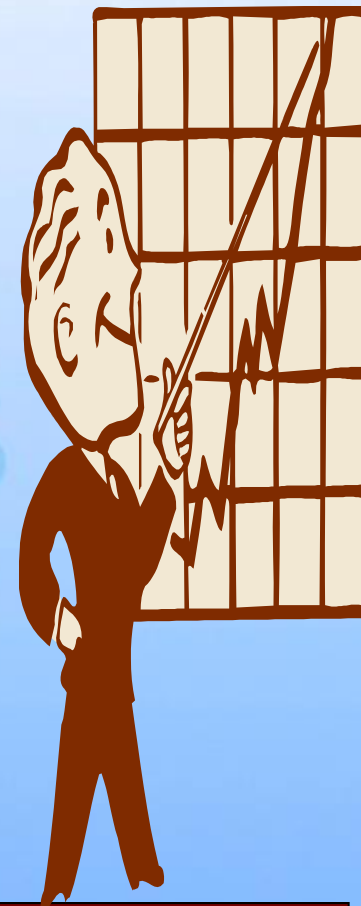


Rate Information



- ✓ Monthly Adjustable Rate
- ✓ Lifetime cap is set by the lender
- ✓ Margin is set by Lender/Investor

- ✓ *Annual Adjustable Rate*
- ✓ *2% per year*
- ✓ *5% lifetime cap*
- ✓ *Margin is set by Lender/Investor*



POLL QUESTIONS



POWER OF ATTORNEY (POA) CONSERVATORSHIP TRUST

HECM Requirements



- HECM Property held in a Living Trust
- Power of Attorney and Conservatorship Guidelines
 - Legal competency
 - Lacking legal competency

Power of Attorney & Conservatorship Guidelines



- † Borrowers with legal competency
 1. Must sign initial loan application
 2. Must receive counseling and sign certificate
 3. May use Power of Attorney to execute all closing documents.

Power of Attorney and Conservatorship Guidelines (continued)



- † Borrowers lacking legal competency
 1. May not sign loan applications, closing documents or counseling certificate
 2. Court-appointed conservator may execute documents
 3. Evidence of authority to obligate borrower
 4. Durable power of attorney prepared when borrower competent

Revocable Trust Requirements



Trust must meet following requirements:

- All beneficiaries must be eligible borrowers
- Trustee(s) must sign Deeds of Trust/Mortgage and borrower/beneficiary signs Notes
- Trust shall not be a party to loan agreement
- Lender ensures borrower/beneficiary has legal right to occupy property for remainder of his/her life.



ELIGIBLE PROPERTIES

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HECM Valuation



 Handbooks 4235.1 Ch. 3, 4150.1,
4150.2, 4905.1

 Mortgagee Letters 96-15, 96-41, 00-10,
05-48.

Eligible Properties



- ✦ Home must meet FHA minimum property requirements (4905.1 handbook)



Eligible Properties



 New or existing properties that are 100% complete

 1-4 units (Maximum FHA single-family county limit)



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Eligible Properties



 Planned Unit Development (PUD)

 Fee Simple

 Leased land



APPRAISAL REQUIREMENTS

HECM Appraisal Requirements



- Appraiser must provide estimated cost of required repairs
- Lead based paint abatement for properties built before 1978





PROPERTY REPAIRS

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Repairs < 15% Of MCA Maximum Claim Amt



- ✂ May be completed after closing
- ✂ Lender and borrower certify on Repair Rider to complete repairs in a timely and satisfactory manner



Repairs < 15% Continued



- ⌘ Set aside 150% of the cost of repairs plus repair administration fee
- ⌘ Completed within time period specified in Repair Rider
- ⌘ Lender to ensure all mechanics' liens released



Repairs < 15% Continued



- ✖ If cost exceeds set aside amount
 - ✖ And all required repairs completed
 - ✖ May draw against line of credit to cover excess cost
- ✖ Repairs not completed
 - ✖ Discontinue payments
 - ✖ Freeze line of credit



Repairs > 15% MCA Maximum Claim Amount



- ✚ Completed before closing
- ✚ Inspected and Compliance Inspection Report (HUD 92051) to certify repairs completed
- ✚ Borrower may use mortgage proceeds



Repairs > 30% MCA Maximum Claim Amt



- Appropriate HOC – Representative from HUD must review property for acceptance



POLL QUESTIONS





HECM REFINANCE

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Refinance Mortgagee Letter 04-18



- ✓ Existing HECM
- ✓ Anti-churning Disclosure (HUD 92901)
- ✓ Counseling may opt out or waive



Refinance

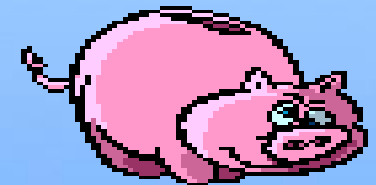
ML Letter 2010-34



✦ Reduction in upfront mortgage insurance

Formula:

- ✦ (1) New MCA multiplied by new initial MIP (%) = New MIP
- ✦ (2) Old MCA multiplied by old initial MIP (%) = Old MIP
- ✦ (3) Subtracting the result of (2) from the result of (1) yields the MIP amount owed to HUD





Refinance Examples Per ML 2010-34

Saver to Saver



- ⦿ Saver to Saver:
- ⦿ New MIP: $\$250,000 \times 0.01\% = \25
- ⦿ Old MIP: $\$200,000 \times 0.01\% = \20
- ⦿ MIP Amount Owed to HUD: \$5

Standard to Standard



- Standard to Standard:
- New MIP: $\$250,000 \times 2\% = \$5,000$
- Old MIP: $\$200,000 \times 2\% = \$4,000$
- MIP Amount Owed to HUD: $\$1,000$

Standard to Saver



- Standard to Saver:
- New MIP: $\$250,000 \times 0.01\% = \25
- Old MIP: $\$200,000 \times 2\% = \$4,000$
- MIP Amount Owed to HUD: \$0
- *Note: If New MIP less the Old MIP is a negative number, the amount owed is zero*

Saver to Standard



- ⦿ Saver to Standard:
- ⦿ New MIP: $\$250,000 \times 2\% = \$5,000$
- ⦿ Old MIP: $\$200,000 \times 0.01\% = \20
- ⦿ MIP Amount Owed to HUD: $\$4,980$

Saver to Standard



- ⦿ Saver to Standard:
- ⦿ New MIP: **$\text{\$200,000} \times 2\% = \text{\$4,000}$**
- ⦿ Old MIP: $\text{\$250,000} \times 0.01\% = \25
- ⦿ MIP Amount Owed to HUD: **\$3,975**
- ⦿ ****Note: If New MCA is less than the Old MCA, the amount owed can be greater than zero***



CLOSING DOCUMENTS

Loan Agreement



- ❖ **Outlines the process of disbursing mortgage proceeds**
- ❖ **Obligations and rights of lender**
- ❖ **Rights and limitations of borrower**
- ❖ **Repair Rider (if applicable)**

Loan Agreement Sample



- FHA Case No. **HOME EQUITY CONVERSION MORTGAGE LOAN AGREEMENT**
- THIS AGREEMENT is made this day of _____, 20____, among ("Borrower"), ("Lender") and the Secretary of Housing and Urban Development ("Secretary").
Article 1 – Definitions
- 1.1. Expected Average Mortgage Interest Rate means the amount indicated on the attached payment plan (Exhibit 1). It is a constant interest rate used to calculate monthly payments to the Borrower throughout the life of the loan.
- 1.2. Loan Advances means all funds advanced from or charged to Borrower's account under conditions set forth in this Loan Agreement, whether or not actually paid to Borrower.
- 1.3. Loan Documents means the Note, Second Note, Security Instrument and Second Security Instrument.
- 1.4. Maximum Claim Amount means the lesser of the appraised value of the property, as determined by the appraisal used in underwriting the loan, or the sales price of the property being purchased for the sole purpose of being the principal residence, or the national mortgage limit for a one family residence under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (as adjusted where applicable under section 214 of the National Housing Act) as of the date of loan closing. Closing costs must not be taken into account in determining appraised value.

Mortgage Deed of Trust



- **Mortgage amount on deed 150% of Maximum Claim Amount**
- **Loan payments secured not only by current value but also any potential appreciation**



Second Deed of Trust Mortgage and Note



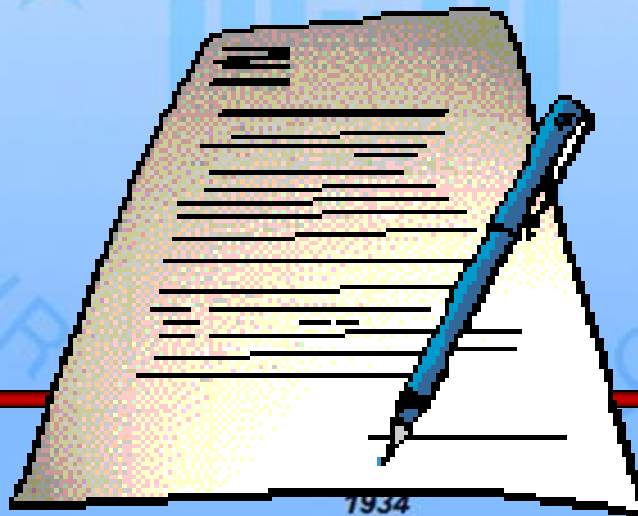
- **Secures any mortgage payments made by HUD if lender fails to make payments to borrower under terms of loan agreement**



Loan Closing



- **Date Note is signed by borrower(s)**
 - **Sets maximum claim amount**
 - **Disbursement date of funds must appear on the HUD-1 settlement statement**



Assignment



- Assigned to HUD when outstanding balance is equal to or greater than 98% of maximum claim amount





HECM CALCULATION

HECM Payment Calculation Review



Download from:

- www.hud.gov/offices/hsg/sfh/hecm/hecminstant.cfm
- www.reverse.org



HECM Calculator



HECM

File Edit Actions Help

01 Oct 2010

Federal Housing Administration

10:36:22 AM

Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number:

Refinance:

Case Number Assigned:

Use:

Variables

Date of Closing MM/DD/YYYY:

Borrower's Birth MM/DD/YYYY:

Expected Interest Rate:

Property Appraised Value:

Maximum Claim Amount:

Prin Lim - Shared Prem Fac:

Principal Limit:

Upfront Premium:

Other Closing Costs:

Initial Advance:

Monthly Servicing Fee:

Net Principal Limit:

Line of Credit:

Monthly Payment:

Length of Term:

Please select Use Indicator

start

Microsoft Office Com...

Microsoft PowerPoint ...

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10:36 AM

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Standard Line of Credit



HECM

File Edit Actions Help

01 Oct 2010 **Federal Housing Administration** 10:32:58 AM
Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: Refinance:
Case Number Assigned: Use:

	Variables	Calculated
Date of Closing MM/DD/YYYY:	<input type="text" value="10/15/2010"/>	10/15/2010
Borrower's Birth MM/DD/YYYY:	<input type="text" value="01/16/1936"/>	Age: 75
Expected Interest Rate:	<input type="text" value="5.000"/>	5.000%
Property Appraised Value:	<input type="text" value="\$300,000"/>	\$300,000
Maximum Claim Amount:	<input type="text" value="\$300,000"/>	\$300,000
Prin Lim - Shared Prem Fac:		.693-05
Principal Limit:		\$207,900.00
Upfront Premium:	<input type="text"/>	\$0.00
Other Closing Costs:	<input type="text" value="\$8,000.00"/>	\$8,000.00
Initial Advance:	<input type="text"/>	\$0.00
Monthly Servicing Fee:	<input type="text" value="\$35.00"/>	\$5,725.64
Net Principal Limit:		\$194,174.36
Line of Credit:	<input type="text" value="CALCULATE"/>	\$194,174.36
Monthly Payment:	<input type="text"/>	\$0.00
Length of Term:	<input type="text"/>	

Please Enter Line of Credit

start Microsoft Office Com... Microsoft PowerPoint ... HECM

10:32 AM

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Standard Tenure Payment Plan



HECM

File Edit Actions Help

01 Oct 2010

Federal Housing Administration

10:40:58 AM

Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: John Doe

Refinance: No

Case Number Assigned: On or After October 1, 2010

Use: HECM Standard

	Variables	Calculated
Date of Closing MM/DD/YYYY:	10/13/2010	10/13/2010
Borrower's Birth MM/DD/YYYY:	01/16/1936	Age: 75
Expected Interest Rate:	5.000	5.000%
Property Appraised Value:	\$300,000	\$300,000
Maximum Claim Amount:	\$300,000	\$300,000
Prin Lim - Shared Prem Fac:		.693-05
Principal Limit:		\$207,900.00
Upfront Premium:		\$0.00
Other Closing Costs:	\$8,000.00	\$8,000.00
Initial Advance:		\$0.00
Monthly Servicing Fee:	\$30.00	\$4,907.69
Net Principal Limit:		\$194,992.31
Line of Credit:		\$0.00
Monthly Payment:	CALCULATE	\$1,191.96
Length of Term:	TENURE	TENURE

Please enter Borrower's Name/Case Number



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10:40 AM

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Standard Term Payment Plan



HECM

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01 Oct 2010 **Federal Housing Administration** 10:38:30 AM
Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: Refinance:
Case Number Assigned: Use:

	Variables	Calculated
Date of Closing MM/DD/YYYY:	<input type="text" value="10/13/2010"/>	10/13/2010
Borrower's Birth MM/DD/YYYY:	<input type="text" value="01/16/1940"/>	Age: 71
Expected Interest Rate:	<input type="text" value="5.000"/>	5.000%
Property Appraised Value:	<input type="text" value="\$300,000"/>	\$300,000
Maximum Claim Amount:	<input type="text" value="\$300,000"/>	\$300,000
Prin Lim - Shared Prem Fac:		.671-08
Principal Limit:		\$201,300.00
Upfront Premium:	<input type="text"/>	\$0.00
Other Closing Costs:	<input type="text" value="\$8,000.00"/>	\$8,000.00
Initial Advance:	<input type="text"/>	\$0.00
Monthly Servicing Fee:	<input type="text" value="\$30.00"/>	\$5,236.37
Net Principal Limit:		\$188,063.63
Line of Credit:	<input type="text"/>	\$0.00
Monthly Payment:	<input type="text" value="CALCULATE"/>	\$2,031.67
Length of Term:	<input type="text" value="10 Years"/>	10 Years

Please Enter Length of Term or TENURE



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HECM

10:38 AM

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Modified Standard Tenure Payment Plan



HECM

File Edit Actions Help

01 Oct 2010 **Federal Housing Administration** 1:28:33 PM
Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: john doe

Refinance: No

Case Number Assigned: On or After October 1, 2010

Use: HECM Standard

	Variables	Calculated
Date of Closing MM/DD/YYYY:	10/15/2010	10/15/2010
Borrower's Birth MM/DD/YYYY:	01/16/1939	Age: 72
Expected Interest Rate:	5.000	5.000%
Property Appraised Value:	\$200,000	\$200,000
Maximum Claim Amount:	\$200,000	\$200,000
Prin Lim - Shared Prem Fac:		.677-07
Principal Limit:		\$135,400.00
Upfront Premium:		\$0.00
Other Closing Costs:	\$5,000.00	\$5,000.00
Initial Advance:		\$0.00
Monthly Servicing Fee:	\$30.00	\$5,160.83
Net Principal Limit:		\$125,239.17
Line of Credit:	\$50,000.00	\$50,000.00
Monthly Payment:	CALCULATE	\$437.37
Length of Term:	TENURE	TENURE

Please enter Borrower's Name/Case Number

start

Microsoft Office Com...

hud@work - Windows...

Inbox - Microsoft Out...

HECM

1:28 PM

1-800-Call FHA

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Modified Standard Term Payment



HECM

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01 Oct 2010 **Federal Housing Administration** 1:31:21 PM
Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: Refinance:
 Case Number Assigned: Use:

	Variables	Calculated
Date of Closing MM/DD/YYYY:	<input type="text" value="10/15/2010"/>	10/15/2010
Borrower's Birth MM/DD/YYYY:	<input type="text" value="01/16/1939"/>	Age: 72
Expected Interest Rate:	<input type="text" value="5.000"/>	5.000%
Property Appraised Value:	<input type="text" value="\$200,000"/>	\$200,000
Maximum Claim Amount:	<input type="text" value="\$200,000"/>	\$200,000
Prin Lim - Shared Prem Fac:		.677-07
Principal Limit:		\$135,400.00
Upfront Premium:	<input type="text"/>	\$0.00
Other Closing Costs:	<input type="text" value="\$5,000.00"/>	\$5,000.00
Initial Advance:	<input type="text"/>	\$0.00
Monthly Servicing Fee:	<input type="text" value="\$30.00"/>	\$5,160.83
Net Principal Limit:		\$125,239.17
Line of Credit:	<input type="text" value="\$50,000.00"/>	\$50,000.00
Monthly Payment:	<input type="text" value="CALCULATE"/>	\$812.82
Length of Term:	<input type="text" value="10 Years"/>	10 Years

Please Enter Length of Term or TENURE

start Microsoft Office Co... hud@work - Window... Inbox - Microsoft Ou... HECM Microsoft PowerPoin... 1:31 PM

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HECM to HECM Refinance



HECM

File Edit Actions Help

01 Oct 2010

Federal Housing Administration

10:52:05 AM

Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: John Doe

Refinance: Yes

Case Number Assigned: On or After October 1, 2010

Use: HECM Standard

Variables		Calculated
Date of Closing MM/DD/YYYY:	10/13/2010	10/13/2010
Borrower's Birth MM/DD/YYYY:	01/16/1936	Age: 75
Expected Interest Rate:	5.000	5.000%
Property Appraised Value:	\$350,000	\$350,000
Maximum Claim Amount:	\$350,000	\$350,000
Prior Loan Maximum Claim Amount:	\$300,000	\$300,000
Prin Lim - Shared Prem Fac:		.693-05
Principal Limit:		\$242,550.00
Upfront Premium:	FINANCED	\$1,000.00
Other Closing Costs:	\$4,000.00	\$4,000.00
Initial Advance: Includes funds to pay off outstanding HECM	\$100,000.00	\$100,000.00
Monthly Servicing Fee:	\$30.00	\$4,907.69
Net Principal Limit:		\$132,642.31
Line of Credit:	CALCULATE	\$132,642.31
Monthly Payment:	\$0.00	\$0.00
Length of Term:	TENURE	TENURE

Please enter Borrower's Name/Case Number



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HECM

10:52 AM

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Saver Line of Credit



HECM

File Edit Actions Help

01 Oct 2010

Federal Housing Administration

1:34:36 PM

Home Equity Conversion Mortgage Insurance (HECM) V1.5

Borrower Name or Case Number: john doeen

Refinance: No

Case Number Assigned: On or After October 1, 2010

Use: HECM Saver

	Variables	Calculated
Date of Closing MM/DD/YYYY:	10/15/2010	10/15/2010
Borrower's Birth MM/DD/YYYY:	01/16/1939	Age: 72
Expected Interest Rate:	5.000	5.000%
Property Appraised Value:	\$200,000	\$200,000
Maximum Claim Amount:	\$200,000	\$200,000
Prin Lim - Shared Prem Fac:		.554-07
Principal Limit:		\$110,800.00
Upfront Premium:		\$0.00
Other Closing Costs:	\$5,000.00	\$5,000.00
Initial Advance:		\$0.00
Monthly Servicing Fee:	\$30.00	\$5,160.83
Net Principal Limit:		\$100,639.17
Line of Credit:	CALCULATE	\$100,639.17
Monthly Payment:	0	\$0.00
Length of Term:	TENURE	TENURE

Please Enter Monthly Payment or Zero



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hud@work - Window...

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HECM

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POLL QUESTIONS





MORTGAGEE LETTERS

New Mortgagee Letters



- 2010-34
- 2010-22
- 2010-07
- 2009-49
- 2009-47
- 2009-44
- 2009-34
- 2009-21
- 2009-11
- 2009-10

HECM Mortgagee Letters



Mortgagee Letter 2010-34

- Upfront & monthly MIP for HECM Saver & HECM Standard
- Refinance transactions
- HECM Calculator Software, Version 1.5.1
- New principal limit factor tables

	<u>HECM Saver</u>	<u>HECM Standard</u>
Upfront MIP	0.01%	2.0%
Annual MIP	1.25%	1.25%

HECM Mortgagee Letters



❖ Mortgagee Letter 2008-33

- ❖ Use proceeds from HECM loan to purchase new property
- ❖ No subordinate financing allowed
- ❖ Borrower must use their own funds to make up the difference
- ❖ MCA is lesser of Appraised Value or Sales Price

HECM Mortgagee Letters



- **Mortgagee Letter 2008-34 & 2008-35**
 - Origination Fee is 2% of MCA up to \$200,000 and 1% over \$200,000 not to exceed \$6,000 (minimum fee of \$2500)
 - County limit for HECM's is \$625,500

HECM Mortgagee Letters



Mortgagee Letter 2007-08 & 2008-12

Loan Origination/Counseling (2007-08)

Face to face

Telephone

Fee not to exceed \$125 (2008-12)

Must be reasonable and customary

HECM Mortgagee Letters



Mortgagee Letter 2006-06

- Effective March 1, 2006
- Permits borrowers in Texas to choose line of credit payment option
- HECM borrowers must refinance their existing FHA-insured loan to take advantage of the new “Line of Credit” option

HECM Mortgagee Letters Refinancing



Mortgagee Letter 2004-18

- Lower UFMIP for refinances (2% of increase in maximum claim amount)
- Anti-Churning Disclosure
- Opt out of Housing Counseling
- HECM Origination Fee
- Revised HECM Calculation Software

HECM Mortgagee Letters



Mortgagee Letter 2004-39

- Signature reduction
- Submission of case binder documents
- Revised instructions to “Residential Loan Application for Reverse Mortgages”

HECM Mortgagee Letters



Mortgagee Letter 2006-22

- Effective August 31, 2006
- FHA extended the expected interest rate lock “lock-in” provision to 120 days
- Lock-in or float-down fees are not allowed

HECM Mortgagee Letters



Mortgagee Letter 2006-25

- Who must receive counseling
- Activities permitted prior to counseling
- New HECM counseling certificates
- Preventing fraud

POLL QUESTIONS





ENDORSEMENT OF HECM LOANS

LATE SUBMISSION LETTER



- ❖ If received more than 60 days after closing, late submission letter required
- ❖ Mortgagee letter 2005-23

HUD-92902, CERTIFICATE OF HECM COUNSELING



- ❖ Must be a certified true copy
- ❖ Must be from a HUD approved counseling agency and signed and dated by the borrower. (IF a HECM refinance and the borrower opts out of counseling, evidence in accordance with ML 04-18 that borrower meets the waiver requirements should be included.

HUD-92901, HECM ANTI-CHURNING DISCLOSURE



- Only if HECM refinance is this form required
- Form can be found on www.hudclips.org

1ST NOTE



- Certified true copy of original
- Original 1st NOTE needs to be obtained by mortgagee

1ST SECURITY INSTRUMENT (MORTGAGE OR DEED OF TRUST)



- Certified true copy of the original
- Blanket certification is allowed in the file

2nd NOTE



- Original required
- We do not accept copies of this form

2ND SECURITY INSTRUMENT (MORTGAGE OR DEED OF TRUST)



- Original or certified true copy
- Certified true copy of the 2nd Security Instrument is acceptable when original is not available

HUD-1 SETTLEMENT STATEMENT



- Certified true copy
- Signed by the Borrowers and Settlement Agent.

NOTICE TO BORROWER



- This form will be signed by HUD and mailed to the borrower
- The purpose of this form is to give instructions to borrower if non payment from lender occurs

LOAN AGREEMENT AND RELATED EXHIBITS



- ❖ One original Loan Agreement, Payment Plan and Schedule of Liens are required
- ❖ Two certified copies of the Loan Agreement, Payment Plan and Schedule of Liens are required

REPAIR RIDER



- ❖ If escrowing repairs;
- ❖ Need 1 original
- ❖ Two certified true copies of this form

FNMA 1009/FNMA 1003



- ⦿ This form is the Residential Loan Application for Reverse Mortgage.
- ⦿ Certified true copy.

HUD-92900A , ADDENDUM TO UNIFORM RESIDENTIAL LOAN APPLICATION



- Certified true copy.
- Pg 1-92900A, signed by lender.
- Pg 2-92900A, signed by borrower(s).
- Pg 3-92900A, signed by underwriter.
- Pg 4-92900A, signed by borrower(s) and lender.

CALCULATIONS FOR PRINCIPAL LIMIT AND MONTHLY PAYMENT AMOUNT



- Screen print is acceptable
- This should be the form giving all the data of the loan, with the maximum loan amount, payment plan etc

CAIVRS/LDP/GSA



- These 3 reports need to be pulled for all borrowers, and lenders
- On a purchase transaction, in addition to the above individuals, it should be pulled on the seller, real estate agent and loan officer

CREDIT REPORT



- Needed for all borrowers
- Types of reports accepted:
 - RMCR
 - Tri-Merge

IDENTIFICATION OF BORROWER



- ❖ Evidence of date of birth and SSN verification is required.
- ❖ Acceptable documents include, social security card, birth certificate, drivers license, passport or 1099.

VERIFICATION OF ASSETS



- Only required if cash is needed to close
- Purchase Transactions:
 - No gap financing allowed
 - Must be borrower's own funds
 - Gift funds are allowed

CHOICE OF INSURANCE OPTIONS



- Need to be chosen as assignment or shared premium
- Lender can assign loan to HUD once the maximum claim amount reaches 98%

HUD-92561



- Required for 2-4 Units.
- Needs to be a certified true copy.

HUD 92800.5B (CONDITIONAL COMMITMENT)



- Completed and signed by the underwriter
- Any repairs required need to be conditioned on this form by the underwriter

UNIFORM RESIDENTIAL APPRAISAL REPORT (URAR)



- Floor plan required
- Location map required
- Clear pictures of property and comparables required
- Form 1004MC

TITLE INSURANCE COMMITMENT



- This form is required or other acceptable title evidence equal to maximum claim amount.

ADDITIONAL ENDORSMENT ISSUES



- Address on all of the documents need to match.
- Information from the paperwork needs to be entered into the HECM Insurance Application Screen correctly.
- Lenders can use a blanket certification for certified true copies of documents.



ASSIGNMENT OF LOANS

Assignment to HUD



- ❖ Loan may be assigned to HUD if the loan balance is equal to or greater than 98% of the maximum claim amount
- ❖ Payments to borrower must be current
- ❖ Payment of Mortgage Insurance Premium (MIP) is current
- ❖ Loan may not be due and payable
- ❖ HUD has not been informed of any event that may cause the loan to be due and payable
- ❖ Title must be free and clear
- ❖ HUD will accept assignment package when loan balance is at 97.5% (approval cannot be issued until 98% threshold is eclipsed)

Assignment to HUD



- Incomplete Assignment Package
- Title Issues
- Signature on Trust Documents
- Retrieving Missing Assignments made to HUD
- HUD does not have a designated timeframe to complete review of package

<http://www.hud.gov/offices/hsg/sfh/nsc/rep/hecmasgn.pdf>

<http://www.hud.gov/offices/hsg/sfh/nsc/rep/hecmasqa.pdf>

Mortgagee Letter 2001-16

Assignment to HUD



- ❖ Current Timeframe accounts placed on Hold is 30 days (no extensions from this timeframe)
- ❖ Packages prepared for submission should be verified as complete by Lender when they are sent (with all required information in package)
- ❖ All Recorded Assignments must be submitted with package
- ❖ Denial Reason must be addressed prior to resubmission (this includes cases where HUD was asked to advance funds)

HECM REVIEW



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FAQ's



- Frequent Answers and Questions are updated with current information as needed.
- The most current information and hot topics are located at the top.
- Any new questions are welcome!
- <http://www.hud.gov/offices/hsg/sfh/nsc/rep/hecmsvcqa.pdf>



HECM Review



- ❏ Can one borrower be 65 & the other borrower be 59?
- ❏ Are there maximum debt ratios?
- ❏ Can funds be used for any purpose?
- ❏ Can a non-owner occupant receive a HECM loan?
- ❏ May a Lender order an FHA case number prior to counseling?

HECM Review



- ❏ Can one borrower be 65 & other borrower be 59? No
- ❏ Are there maximum debt ratios? There are none
- ❏ Can funds be used for any purpose? Yes they can
- ❏ Can a non-owner occupant receive a HECM loan? No they cannot
- ❏ May a Lender order an FHA case number prior to counseling? No they cannot.

HECM Review



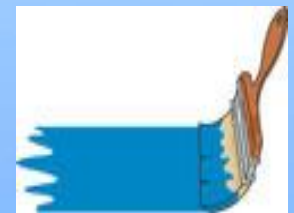
- ❏ How many payment plans are there?
- ❏ The principal limit is based on what three factors?
- ❏ Can repairs < 15% of MCA be completed after closing?
- ❏ How many types of HECM products are there?



HECM Review



- ❏ How many payment plans are there? 5
- ❏ The principal limit is based on what three factors? Age of youngest borrower, MCA and the expected rate
- ❏ Can repairs < 15% of MCA be completed after closing? Yes
- ❏ How many types of HECM products are there? 3 (Standard, Purchase, Saver)



HECM Review



- What is the cost of changing a payment plan?
- What are the 2 types of counseling?
- Can a POA be used for HECM closing documents?
- What is the percentage charged on annual MIP?



HECM Review



- What is the cost of changing a payment plan?
\$20 or less
- What are the 2 types of counseling? Face to Face and telephone
- Can a POA be used for HECM closing documents? Yes
- What is the percentage charged on annual MIP? 1.25%



HECM Review



- What is the minimum age of a HECM borrower?
- Can a borrower take out a HECM on a rental property?
- When does the loan become due and payable?
- What must the borrower do prior to the Lender processing a loan application?

HECM Review



- What is the minimum age of a HECM borrower? 62 years old
- Can a borrower take out a HECM on a rental property? NO
- When does the loan become due and payable? Death or borrower has vacated the property over 12 months or fails to pay taxes & insurance or sell the property
- What must the borrower do prior to the Lender processing a loan application? HECM counseling

Most Common Deficiencies



- ✕ Trust/Power of Attorney and/or Conservatorship documents incomplete
- ✕ Federal liens/judgments not properly addressed
- ✕ No Final HUD-I
- ✕ Non-allowable charges paid by borrower



Things To Look Out For



- Reporting abuse and fraud
 - (888) 827 – 5605
- Predatory Lending (no benefit to the client)
- Contractors that are not on the up and up



Disclaimer



- The purpose of this presentation is an overview of the subject matter with summation and explanation of recent changes in FHA policy. It introduces and explains, rather than supplants, official policy issued in Handbooks and Mortgagee Letters. If you find a discrepancy between the presentation and Handbooks, Mortgagee Letters, etc., the official policies prevail. Please note the information provided in this training is subject to change.
- Please consult HUD online Handbooks at <http://www.fhaoutreach.gov/FHAHandbook/prod/contents.asp?address=4155-1> and Mortgagee Letters through <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm> for the most recent updates and current policy.

On behalf of HUD,



Thank you for participating....